



Carol Teixeira
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May 22, 2019

Honorable Kathleen H. Burgess, Secretary
State of New York
Public Service Commission
Office of the Secretary, 19th Floor
Three Empire State Plaza
Albany, New York 12223-1350

RE: Case 15-E-0751 – In the Matter of the Value of Distributed Energy Resources (VDER)

Dear Secretary Burgess:

The enclosed tariff amendments, issued by Niagara Mohawk Power Corporation d/b/a National Grid (the “Company”), are being transmitted for filing in compliance with the April 18, 2019 *Order Regarding Value Stack Compensation* issued by the New York State Public Service Commission (“Commission”) in the above case number (“Order”).

Identification of Tariff Amendments:

Eighth Revised Leaf No. 218
Eighth Revised Leaf No. 219
Second Revised Leaf No. 220.0.2
First Revised Leaf No. 220.0.3
Second Revised Leaf No. 220.1
Third Revised Leaf No. 220.2
Original Leaf No. 220.2.1
First Revised Leaf No. 220.3
Fifth Revised Leaf No. 220.4
First Revised Leaf No. 220.5
Original Leaf No. 220.5.1
First Revised Leaf No. 220.6
Original Leaf No. 220.6.1
Fourth Revised Leaf No. 220.7
First Revised Leaf No. 220.7.1
First Revised Leaf No. 220.7.2
First Revised Leaf No. 220.7.3
First Revised Leaf No. 220.8
First Revised Leaf No. 220.11
Sixth Revised Leaf No. 263.16
Sixth Revised Leaf No. 263.17

To P.S.C. No. 220 Electricity

Effective: June 1, 2019

Purpose of the Filing:

On December 12, 2018, Department of Public Service Staff (“Staff”) filed the Whitepaper Regarding Future Value Stack Compensation, Including for Avoided Distribution Costs (“Compensation Whitepaper”) and on December 14, 2018, Staff filed the Whitepaper Regarding Capacity Value Compensation (“Capacity Value Whitepaper”) (collectively the “Staff Whitepapers”). The Staff Whitepapers proposed several modifications to the Value Stack and related compensation rules, including how the Demand Reduction Value (“DRV”) and Capacity Values are calculated. The Order adopted Staff’s proposals, with modifications, and directed all electric utilities to file tariff changes to implement the changes to the Value Stack elements. In addition to changes to the DRV and Capacity Values, the Order modified the Locational System Relief Value (“LSRV”) compensation mechanism, expanded Phase One Net Energy Metering (“NEM”) for certain eligible projects with a capacity rating of 750 kW AC or lower, and authorized a new Community Credit compensation to replace the Market Transition Credit (“MTC”).

Tariff Comments:

The Order specified that projects qualified¹ for Value Stack after July 26, 2018 will receive compensation based on the new methodologies established in the Order. The Company expanded Rule 40.2 – Value Stack of the Company’s PSC 220 Electricity Tariff (the “Tariff”) to include the changes described in the Order. Specifically, the Company modified Rule 40.2.1 to include the new or revised Value Stack compensation calculations for the following components for qualifying projects: Capacity, DRV, LSRV, and the Community Credit.

Value Stack Capacity Component:

The Order accepted Staff’s recommendations for changes to the Alternative 1 and Alternative 2 Capacity calculations from the Capacity Value Whitepaper with modifications. For projects that qualified after July 26, 2018, the Capacity Alternative 1 rate will equal the forecasted monthly New York Independent System Operator (“NYISO”) \$/kW-month capacity auction price multiplied by the proxy capacity factor and divided by the monthly kWh/kW value. The proxy capacity factor and the monthly kWh/kW value are described in Appendix E of the Order. The compensation for Capacity Alternative 1 for projects qualifying after July 26, 2018 is calculated by multiplying the sum of the project’s net injections (kWh) for the billing period by this Capacity Alternative 1 rate.

The Capacity Alternative 2 rate for projects qualifying after July 26, 2018 will equal the sum of the most recently available monthly NYISO \$/kW-month capacity auction prices for the 12 prior months as of May 31 of each year. The Capacity Alternative 2 compensation is modified to apply to the project’s net injections (kWh) during the hours of 2:00 pm to 7:00 pm on non-holiday weekdays from June 24 to August 31, inclusive.

Calculations for both new Capacity Alternative 1 and Alternative 2 rates will be inclusive of applicable capacity price gross-up factors.

¹ See Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources*, Order Regarding Value Stack Compensation (issued April 18, 2019) (“Order”), p. 8, where a project “qualifies” or becomes “eligible” at which time 25% of the interconnection costs have been paid or a Standard Interconnection Contract has been executed if no such payment is required.

Value Stack Demand Reduction Value (“DRV”) Component:

The Order accepted Staff’s recommendations for changes to the DRV calculations from the Compensation Whitepaper with modifications. For projects that qualified after July 26, 2018, the DRV Component will be calculated by multiplying the project’s net injections each bill period during the hours of 2:00 pm to 7:00 pm weekdays, non-holidays, between June 24 and September 15 inclusive, by the project’s hourly DRV Component rate (\$/kWh). These projects’ hourly DRV Component rate will be determined by dividing the Company’s \$/kW-year DRV Component rate in effect at the time of the project’s eligibility date, by the total number of eligible hours in the ten-year eligibility period for the project.

Value Stack Locational System Relief Value (“LSRV”) Component:

The Order modified the methodology used to calculate the LSRV Component for projects that qualified after July 26, 2018 by ordering the utilities to implement an LSRV call system, where projects eligible for the LSRV Component receive compensation for responding to utility calls. LSRV compensation for a call event will be based on the project’s lowest hourly net kW injection during the call window multiplied by the project’s applicable LSRV \$/kWh Component rate in effect at the time of the project’s eligibility date. The Company’s existing total \$/kW-year value for LSRV shall be divided by ten (10) to determine the LSRV \$/kWh Component rate. LSRV call events will generally be within the hours of 2:00 pm to 7:00 pm on non-holiday weekdays between June 24 and September 15 inclusive but the Company reserves the right to call events outside of those hours if system needs warrant. The Company also reserves the right to combine LSRV areas into up to four (4) LSRV groups with different four (4)-hour call windows. The Company will call a minimum of ten (10) LSRV call events per year for each LSRV group but may issue more depending on system needs.

Value Stack Community Credit Component:

The Order established a new Community Credit for Community Distributed Generation (“CDG”) projects as a replacement to the current MTC compensation and set that value for the Company at \$0.0225/kWh, which will be filed in the Company’s monthly Value Stack Credit Statement. The Community Credit Component will only apply to CDG projects with an eligibility date after July 26, 2018. As was the case for the MTC calculation, the Community Credit will apply to the sum of the CDG project’s total net injections for the billing period (kWh). However, unlike the MTC methodology, all subscribed generation will receive the same Community Credit compensation allowing both mass market and non-mass market satellites to receive the compensation.

Commercial System Relief Program (“CSRP”):

As an alternative to DRV and LSRV compensation, the Compensation Whitepaper recommended that projects be permitted to opt-in to participation in the Company’s CSRP as found in Rule No. 62 of the Tariff. The Order accepted this proposal as a voluntary option to those projects that qualify for the Value Stack. This one-time, irrevocable decision may be made at any point during a project’s Value Stack compensation term but shall be first available during the next CSRP enrollment period. Value Stack projects that chose this election shall not receive DRV or LSRV compensation for the remainder of the project term and will be compensated for their injections using the same load reduction calculation methodology and at the same rate as other CSRP participants’ load reductions compensation.

Customers that are enrolled in the Company's current CSRP performance period and that are also eligible to receive DRV/LSRV compensation through the Value Stack will continue to receive DRV/LSRV compensation and be compensated for their load reductions through the CSRP for this performance period only. These customers will be allowed to make a one-time, irrevocable decision to remain in the CSRP (in lieu of DRV/LSRV compensation) during the next CSRP enrollment period. The Company will contact these customers individually.

Phase One NEM:

The Company updated Rule 40.1 – Phase One NEM to expand eligibility to projects with a rated capacity of 750 kW AC or lower that: i) are at the same location and behind the same meter as the electric customer whose usage they are designed to off-set, and ii) have an estimated annual output less than or equal to 110% of the customer's historical annual usage.

Also, the Company made tariff changes to allow projects that qualified on or before July 26, 2018, excluding CDG projects and any project receiving the MTC, a one-time irrevocable election to receive these new or revised Value Stack components, as described above. The Company also made minor edits throughout Rule No. 40 – VDER for consistency and to accommodate the tangential changes described in the Order.

Conclusion and Notice:

Ordering Clause No. 1 of the Order directed utilities to file tariff changes within 20 days' notice of the Order, to become effective on June 1, 2019. Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation (collectively, the "Joint Utilities") requested an extension of the filing date to May 22, 2019. This request was granted by the Secretary with no change in the tariff amendments' effective date. Accordingly, this filing is issued with an effective date of June 1, 2019.

Also, as directed in Ordering Clause No. 4 of the Order, the requirements of PSL §66 (12) (b) and 16 NYCRR §720-8.1 concerning newspaper publication of tariff amendments are waived for this filing.

Attachment 1 contains redlined tariff leaves showing where the changes to the above leaves have occurred. Please advise the undersigned of any action taken regarding this filing.

Respectfully submitted,

/s/ Carol Teixeira

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Manager, NY Electric Pricing

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